

ROBERT MENENDEZ
NEW JERSEY

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United States Senate

WASHINGTON, DC 20510-3005

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Lloyd Blankfein
Chief Executive Officer
Goldman Sachs
85 Broad Street
New York, NY 10004

Dear Mr. Blankfein,

I write to you today concerning the bonuses that Goldman Sachs has announced it will be distributing and the comparatively small sum of money devoted to your new small business program. More generally, this letter regards what lessons, if any, banks have learned from the near financial meltdown and resulting taxpayer assistance, as well as how banks can be a true partner with Main Street in this new economy.

Goldman Sachs announced today, under your direction, that it has set aside \$16.2 billion in compensation for 2009, which includes year-end bonuses – up more than 50 percent from 2008 total compensation of \$10.7 billion. These payouts come during a year in which the financial system nearly collapsed and Goldman Sachs received at least \$24 billion in taxpayer support. That assistance included \$10 billion in direct taxpayer assistance through TARP; \$14 billion in indirect taxpayer assistance from the bailout of AIG; the ability to raise \$21.2 billion of FDIC-backed debt through the Temporary Liquidity Guarantee Program; access to the Federal Reserve's discount window; and implicitly receiving "too big to fail" backing from the federal government. I appreciate that Goldman Sachs is an important employer in the state of New Jersey with a record of charitable endeavors. I also appreciate that your firm has paid back the \$10 billion in direct TARP funds with interest, but let us ask ourselves if Goldman Sachs would be in a position to award such large bonuses now without the lifebuoy of taxpayer dollars.

In juxtaposition to this compensation is your firm's new 10,000 Small Businesses project. It is a tremendously worthy idea – small businesses have created nearly two-thirds of new jobs over the past 15 years, but they have been frozen out of access to loans during the credit crisis, with the 22 banks that received the most TARP funds having dropped their small business lending portfolio by \$10.5 billion over the past 6 months. On top of that, more than 160 local banks that would otherwise be a main source of capital for small businesses have closed their doors in the past 18 months. Despite the admirable goals of your program, the amount of funding your firm has put into it -- \$500 million – is about three percent of the amount your firm has allotted to compensation and only about two percent of the amount the firm received in taxpayer assistance. This raises serious questions as to whether this "charitable" initiative is merely window dressing for Goldman Sachs to otherwise continue business as usual with a pre-meltdown mentality. I would encourage you to rethink the total amount and ask you what percent you envision going to small businesses in underserved communities.

Looking at the comparison between your bonuses and Main Street initiatives, I want to know what has changed since your firm was kept afloat by taxpayers.

Your announced compensation figures, including bonuses, equal approximately \$500,000 per Goldman Sachs employee. Your announced small business plan would equal \$50,000 per each of the "10,000" small businesses. As a Senator from a state with a high concentration of Wall Street employees, I fully understand that some of your employees are not millionaires, they have families to sustain, and they may depend on bonuses for most of their annual income. But I also understand that many of these bonuses are likely to be multi-million dollar payouts to millionaire or billionaire executives.

I remind you that the median personal income for an American employee was \$39,336 in 2007. That means half of the wage earners in our country earn less than \$39,336, and many of them have had to send some of their hard-earned income to keep Goldman Sachs and the rest of the financial system from collapsing over the past year. I also remind you that perhaps the foremost reason our banking system nearly collapsed was a detachment between Wall Street and Main Street. I recognize that issues of excessive compensation are a problem across many large banks and are not limited to Goldman Sachs. I hope you would agree that, as we try to build new and lasting economic security for our nation, Wall Street must better understand and respect Main Street. Unfortunately, based on the levels of bonuses compared to small business assistance, I am concerned that Goldman Sachs understands this new reality in a public relations sense only.

As such, I again urge you to reconsider the proportion of funding you are putting into bonuses compared to your small business initiative, particularly in light of the amount of assistance taxpayers gave over the past year and the dire economic woes currently facing businesses in underserved communities. And I urge you to continue with a robust small business program on a permanent basis.

Thank you for your attention to this matter. I look forward to your response.

Sincerely,



ROBERT MENENDEZ
United States Senator